

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1612 - HB 1562

February 12, 2018

SUMMARY OF BILL: Establishes, for purposes of determining compliance with the Copeland Cap, that funds allocated to the Rainy Day Fund (RDF), or funds expended from the RDF to offset shortfalls in state tax revenue will not be included as appropriations from state tax revenues, and that funds expended from the RDF to meet expenditure requirements in excess of budgeted appropriation levels, and funds directly appropriated from the RDF in the general appropriations act, will be included as appropriations from state tax revenues.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Passage of this legislation will impact how frequently the General Assembly will be required to enact legislation to authorize the rate of growth of appropriations from state tax revenue to exceed the estimated rate of growth of the state’s economy. Any impact on the amount of funding that will be allocated to or expended from the Rainy Day Fund or appropriated from state tax revenue in future years is estimated to be not significant.

Assumptions:

- Article II, Section 24 of the Tennessee Constitution, commonly known as the Copeland Cap, establishes that in no year shall the rate of growth of appropriations from state tax revenues exceed the estimated rate of growth of the state’s economy. Further, no appropriation in excess of this limitation shall be made unless the General Assembly sets forth, by law containing no other subject matter, the dollar amount and the rate by which the limit will be exceeded.
- Pursuant to Tenn. Code Ann. § 9-4-5201, the estimated rate of growth of the state’s economy is based upon the projected change in Tennessee personal income.
- In recent years, the General Assembly authorized appropriations from state tax revenues to exceed the estimated growth of the state’s economy as follows:
 - By \$250,000,000, or 2.01 percent, for FY11-12;
 - By \$132,500,000, or 1.00 percent, for FY12-13; and
 - By \$438,000,000, or 2.85 percent, for FY16-17.
- Simple majority in both houses of the General Assembly is required to enact such legislation. In recent years, no efforts to enact legislation authorizing appropriations to exceed the estimated growth of the state’s economy have failed.

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- Establishing when funds allocated to or expended from the RDF are to be included as appropriations from state tax revenues will not impact the amount of funding allocated to or expended from the RDF or the amount of appropriations authorized in future years.
- The proposed legislation will only impact how frequently the General Assembly will be required to enact a law setting forth the dollar amount and the rate by which state appropriations exceed the estimated rate of growth of the state's economy.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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